

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

OMB-01 L-02 NSC-05 SAM-01 PA-01 PRS-01 USIA-06 SS-15

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DRAFTED BY EA/PRCM:PTLINCOLN,JR:MFR

APPROVED BY EA/PRCM:OVARMSTRONG

USDA/FAS/COTTON:WDAVIS (DRAFT)

EB/FTD:AJWILLIAMS (DRAFT)

EA/EP:AGEBER (SUBS)

----- 024119

R 122246Z MAR 75

FM SECSTATE WASHDC

TO USLO PEKING

AMCONSUL HONG KONG

AMEMBASSY BANGKOK

AMEMBASSY TOKYO

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 055781

E.O. 11652: GDS

TAGS: ETRD, TH, HK, JA, MY, RP, KS, SN, TW, CH

SUBJECT: TRADE RUMORS OF FURTHER PRC COTTON CANCELLATIONS

REF: STATE 51842

1. BEGIN UNCLASSIFIED. MARCH 12 JOURNAL OF COMMERCE RAN
UPI STORY CITING TRADE SOURCES TO THE EFFECT THAT PRC WILL
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PROBABLY SOON CANCEL ORDERS FOR AN ADDITIONAL 208,000

BALES OF AMERICAN COTTON. ARTICLE STATED THAT "NEGOTIATIONS TO CALL OFF THE REMAINING SHIPMENTS (OF COTTON) ARE CURRENTLY IN PROGRESS BETWEEN CHINESE OFFICIALS AND FIVE OR SIX EXPORT FIRMS AND COOPERATIVES, AN INFORMED TRADE EXPERT SAID. THE SPOKESMAN SAID THE CHINESE 'PROBABLY WILL BE SUCCESSFUL' BECAUSE THEY ARE OFFERING--AS IN THE EARLIER CANCELLATION--TO PAY EXPORTERS THE DIFFERENCE BETWEEN THE HIGH PRICE AT WHICH THE CONTRACTS WERE ORIGINALLY SIGNED AND TODAY'S LOW COTTON MARKET PRICE." END UNCLASSIFIED

2. BEGIN CONFIDENTIAL. AS OF MARCH 12, USDA HAD NO INFORMATION ON NEGOTIATIONS BETWEEN SHIPPERS AND PRC ON

POSSIBLE CANCELLATIONS; AND NO CANCELLATIONS HAD BEEN REFLECTED IN EXPORTERS' REPORTS TO USDA COVERING PERIOD ENDING MARCH 2. ONE LARGE DEALER WITH APPROXIMATELY ONE-HALF OF OUTSTANDING COTTON CONTRACTS DENIED THAT CHINESE HAD CANCELLED OR THAT THEY WERE EVEN TALKING ABOUT CANCELLING. THIS DEALER REPORTED HE WAS LOADING 22,000 BALES THIS WEEK. SIMILARLY, ANOTHER SHIPPER WITH AN UNDETERMINED AMOUNT OF THE TOTAL REMAINING TO BE SHIPPED SAID THAT CHINESE HAD DELAYED OPENING L/CS BUT HAD NOT CANCELLED ANY ORDERS.

3. BECAUSE OF LARGE PRICE DIFFERENTIAL AND OTHER FACTORS CITED REFTTEL, DEPARTMENT CONTINUES TO BELIEVE THAT FURTHER CANCELLATIONS OF AT LEAST SOME OF OUTSTANDING PRC COTTON ORDERS MAY BE POSSIBLE, BUT HARD INFORMATION IS LACKING AT THIS POINT. INGERSOLL

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